

Company Registration No: 07737522

IDEM CAPITAL HOLDINGS LIMITED

Report and Financial Statements

Year ended 30 September 2021



CAUTIONARY STATEMENT

Sections of this Annual Report, including but not limited to the Directors' Report and the Strategic Report may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of Idem Capital Holdings Limited. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. These have been made by the directors in good faith using information available up to the date on which they approved this report and the Company undertakes no obligation to update these forward-looking statements other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation, UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority).

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company and depend upon circumstances that may or may not occur in the future that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. There are a number of factors that could cause actual future financial conditions, business performance, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. As a result, you are cautioned not to place reliance on such forward-looking statements as a prediction of actual results or otherwise.

These factors include, but are not limited to: material impacts related to foreign exchange fluctuations; macro-economic activity; the impact of outbreaks, epidemics or pandemics, such as the Novel Coronavirus 19 ('Covid') pandemic and ongoing challenges and uncertainties posed by the Covid pandemic for businesses and governments around the world, including the duration, spread and any recurrence of the Covid pandemic and the extent of the impact of the Covid pandemic on overall demand for the Company's services and products; potential changes in dividend policy; changes in government policy and regulation (including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the Group operates) and the consequences thereof (including, without limitation, actions taken as a result of the Covid pandemic); actions by the Company's competitors or counterparties; third party, fraud and reputational risks inherent in its operations; the UK's exit from the European Union ('EU'); unstable economic conditions and market volatility, including currency fluctuations; the risk of a global economic downturn; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; general changes in government policy that may significantly influence investor decisions (including, without limitation, actions taken in support of managing and mitigating climate change and in supporting the global transition to net zero carbon emissions); societal shifts in customer financing and investment needs; and other risks inherent to the industries in which the Company operates.

Nothing in this Annual Report should be construed as a profit forecast.

STRATEGIC REPORT**BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

Idem Capital Holdings Limited ('the Company') is a wholly owned subsidiary of Paragon Banking Group PLC ('the Group'). The Company acts as a holding company and operates in the United Kingdom. The movements on fixed assets investments are as detailed in note 11 and these comprise the holdings in other group companies. There have been no significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 11, the profit after tax has decreased from £71,000 to £4,000. This was mainly due to an increase in net interest expense.

The balance sheet on page 12 of the Financial Statements shows the value of investments the Company currently holds. As a result of the profit for the year net assets have increased. Details of amounts owed from and to other group companies are shown in notes 13 and 16.

The directors recommend no final dividend (2020: £nil) and interim dividend of £nil per share (2020: £12,500 per share).

The Group manages its operations on a centralised basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group's mortgage lending operation, which includes the Company, is discussed in the Paragon Banking Group PLC Annual Report, which does not form part of this Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The assets of the Company are located entirely in the United Kingdom and its results are therefore impacted by the economic environment within the UK. A material downturn in economic performance could increase the numbers of customers who default on loans and / or cause the values of the properties over which the Company enjoys security to fall.

The UK economy in the current year has been impacted significantly by the effects of the Covid virus. This has caused major economic disruption within the UK and global economy but has also driven governments and regulators to offer unprecedented levels of support to businesses and consumers, aimed at mitigating its impact.

The Company has put contingency plans in place to ensure that it can continue to service its customers and to satisfy its obligations under the funding structure. However, should the pandemic have significant long-term impacts on the UK economy then this would significantly impact the Company's future cash flows and performance.

Together with continuing uncertainty arising the potential impact economic impact of the UK's withdrawal from the European Union ('EU'), the Covid pandemic has made the long-term economic prospects for the UK and their impacts on the Company much difficult to forecast.

An analysis of the Company's exposure to risk, including financial risk, and the steps taken to mitigate these risks are set out in note 18.

STRATEGIC REPORT (CONTINUED)**GOING CONCERN**

The performance of the Company is subject to analysis against plan, with key variances being analysed in detail on a monthly basis. This monitoring, particularly of credit and liquidity measures has been enhanced at Group level in response to the Covid situation.

The Group has a formalised process of budgeting, reporting and review. The Group's planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company by company basis.

In compiling the most recent forecast, for the period commencing 1 October 2021, particular attention was paid to the potential consequences of Covid on the Group's operations, customers, funding and prospects, both in the short and longer term. This included consideration of a number of different scenarios with impacts of varying duration and severity. In common with the Group's approach to IFRS 9, the economics used in the forecasting process were updated in October in light of the continuing development of the Covid crisis, based on updated external projections. Future business activity was reforecast reflecting the potential impacts of the pandemic on markets and products.

After considering the Company's position, the economic environment and the forecasts described above, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. This is further supported by the Group holding sufficient cash resources to support the Company's obligations as they fall due. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

BOARD AND STAKEHOLDERS

The Board of the Company is mindful of its duty to act in good faith and to promote the success of the Group for the benefit of its shareholders and with regard to the interests of all of its stakeholders and, in particular, the interests of the Company's noteholders. The Board confirms that, for the year ended 30 September 2021, it has acted to promote the success of the Company for the benefit of its members as a whole and continues to have due regard to the following matters (as per section 172 of the Companies Act 2006):

- a. The likely consequences of any decision in the long-term;
- b. The interests of the Group's employees;
- c. The need to foster the Company's business relationships with suppliers, customers and others;
- d. The impact of the Company's operations on the community and the environment;
- e. The desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the Company.

As part of the Group, stakeholder engagement, for stakeholder groups where there is substantial common identity between the non-shareholder stakeholders of the Company and of the Group, takes place at a group level and the Company looks to group initiatives for guidance and takes them into account in its decision making. The Company follows Group policies and procedures as mentioned above, including those relating to standards of business conduct, the environment, the community and other stakeholders. More detail may be found in the Paragon Banking Group PLC 2021 Annual Report and Accounts.

STRATEGIC REPORT (CONTINUED)

BOARD AND STAKEHOLDERS (CONTINUED)

As a securitisation entity the decision-making powers of the Board of Directors are limited. Key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents. However, in considering items of business the Board makes autonomous decisions on their own merits, after due consideration of the long-term success of the Company, those factors set out in section 172 of the Companies Act 2006, where relevant, and the stakeholders impacted.

Board meetings are held periodically where the directors consider Company business, including its results and performance.

More information on the Company's impact on individual stakeholder groups is set out below.

SHAREHOLDERS

The Company is a wholly owned subsidiary of Paragon Banking Group PLC, the ultimate parent company of the Group. The interests of the Company's shareholders thus coincide with those of the shareholders of the Group (s172 (1)(f)).

ENVIRONMENT

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with group policies, which are described in the Paragon Banking Group PLC Annual Report, which does not form part of this Report. Further information can also be found in the Group's inaugural Responsible Business Report (published on the Paragon Banking Group PLC website).

EMPLOYEES

The Company has no employees. All operational services are provided by employees of the Group. The Group's employment policies are described in the Paragon Banking Group PLC Annual Report, which does not form part of this Report.

Approved by the Board of Directors
and signed on behalf of the Board



K G Allen

Director

17 February 2022

DIRECTORS' REPORT

The directors present their Annual Report prepared in accordance with Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the audited Financial Statements of Idem Capital Holdings Limited, a Company registered in England and Wales with registration no: 07737522, for the year ended 30 September 2021.

DIRECTORS

The directors throughout the year and subsequently were:

R J Woodman

D Newcombe

R D Shelton (resigned 3 February 2021)

K G Allen

AUDITOR

The directors have taken all reasonable steps to make themselves and the Company's auditor, KPMG LLP, aware of any information needed in preparing the audit of the Annual Report and Financial Statements for the year, and, as far as each of the directors is aware, there is no relevant audit information of which the auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 (2) of the Companies Act 2006.

No notice from members under section 488 of the Companies Act 2006 having been received, the directors intend that the auditor, KPMG LLP, shall be deemed to be reappointed in accordance with section 487(2) of the Act.

INFORMATION PRESENTED IN OTHER SECTIONS

Certain information required to be included in a directors' report by the Companies Act 2006 and regulations made there under can be found in the other sections of the Annual Report, as described below. All of the information presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

- Commentary on the likely future developments in the business of the Company is included in the Strategic Report.
- A description of the Company's financial risk management objectives and policies, and its exposure to risks arising from its use of financial instruments are set out in note 18 to the accounts.
- Disclosure on any dividends paid during the year is included in the Strategic Report.

Approved by the Board of Directors

and signed on behalf of the Board



K G Allen

Director

17 February 2022

Registered Office: 51 Homer Road, Solihull, West Midlands, B91 3QJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board.



K G Allen

Director

17 February 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Idem Capital Holdings Limited for the year ended 30 September 2021 which comprise the Income Statement, the Balance Sheet, the Statements of Movements in Equity and the related notes 1 to 21, including the accounting policies in note 20.

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.
- However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED (Continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors, Internal Audit and inspection of policy documentation as to the high-level policies and procedures of the Paragon Group (of which this company is a part) to prevent and detect fraud, including the Internal Audit function, and the Company's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inspecting Board, Audit Committee and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as loan loss provisioning.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted and approved by the same user.
- Assessing significant accounting estimates for bias.

We discussed with the Audit Committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED (Continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's licence to operate. We identified the following areas as those most likely to have such an effect: conduct, money laundering and financial crime and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Directors matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IDEM CAPITAL HOLDINGS LIMITED (Continued)

Directors' responsibilities

As explained more fully in their statement set out on page 6 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Davidson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

17 February 2022

INCOME STATEMENT

YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £000	2020 £000
Interest receivable and similar income	3	2,563	2,916
Interest payable and similar charges	4	(2,863)	(3,138)
Net interest expense		(300)	(222)
Other operating income	5	100	750
Total operating (expense) / income		(200)	528
Operating expenses	6	(12)	(10)
Provisions for losses	9	157	(491)
Operating (loss) / profit, being (loss) / profit on ordinary activities before taxation		(55)	27
Tax on (loss) / profit on ordinary activities	10	59	44
Profit on ordinary activities after taxation		4	71

The profit for the current preceding years relate entirely to continuing operations.

There were no other items of comprehensive income in either the current or preceding years.

BALANCE SHEET

30 SEPTEMBER 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
ASSETS EMPLOYED					
NON-CURRENT ASSETS					
Investment in subsidiary undertakings	11		42,989		50,426
CURRENT ASSETS					
Other receivables	13		1,602		1,584
Total assets			<u>44,591</u>		<u>52,010</u>
FINANCED BY					
EQUITY SHAREHOLDERS' FUNDS					
Called up share capital	14	-	-	-	-
Reserves		23		19	
Total equity			<u>23</u>	<u>19</u>	19
CURRENT LIABILITIES					
Current tax liabilities	15	-	-	-	-
Other liabilities	16	44,568		51,991	
Total liabilities			<u>44,568</u>	<u>51,991</u>	51,991
Total equity and liabilities			<u>44,591</u>	<u>52,010</u>	

These financial statements of the Group and Company (registered number 07737522) were approved by the Board of Directors on 17 February 2022.

Signed on behalf of the Board of Directors



K G Allen

Director

STATEMENT OF MOVEMENTS IN EQUITY

YEAR ENDED 30 SEPTEMBER 2021

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Profit for the year	-	4	4
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	4	4
<i>Transactions with owners</i>			
Dividends	-	-	-
Net movement in equity in the year	-	4	4
Opening equity	-	19	19
Closing equity	-	23	23

YEAR ENDED 30 SEPTEMBER 2020

	Share capital £000	Profit and loss account £000	Total equity £000
<i>Total comprehensive income for the year</i>			
Profit for the year	-	71	71
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	71	71
<i>Transactions with owners</i>			
Dividends	-	(1,250)	(1,250)
Net movement in equity in the year	-	(1,179)	(1,179)
Opening equity	-	1,198	1,198
Closing equity	-	19	19

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2021

1. GENERAL INFORMATION

Idem Capital Holdings Limited is a company domiciled in the United Kingdom and incorporated in England and Wales under the Companies Act 2006 with company number 07737522. The address of the registered office is 51 Homer Road, Solihull, West Midlands, B91 3QJ. The nature of the Group's operations and its principal activities are set out in the Strategic Report in the Strategic Report.

These financial statements are presented in pounds sterling, which is the currency of the economic environment in which the Company operates.

The remaining notes to the accounts are organised into three sections:

- Analysis – providing further analysis and information on the amounts shown in the primary financial statements
- Financial Risk – providing information on the Company's management of its principal financial risks
- Basis of preparation – providing details of the Company's accounting policies and of how they have been applied in the preparation of the financial statements

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2021

The notes set out below give more detailed analysis of the balances shown in the primary financial statements and further information on how they relate to the operations, results and financial position of the Company.

2. REVENUE

	Note	2021 £000	2020 £000
Interest receivable	3	2,563	2,916
Other operating income	5	100	750
Total revenue		<u>2,663</u>	<u>3,666</u>

3. INTEREST RECEIVABLE

	2021 £000	2020 £000
Interest on loans to group companies	2,563	2,916
	<u>2,563</u>	<u>2,916</u>

Interest receivable arises from financial assets held at amortised cost.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £000	2020 £000
Interest payable to Group	2,507	2,809
Interest payable to other group companies	356	329
	<u>2,863</u>	<u>3,138</u>

All interest payable on financial liabilities relates to financial liabilities held at amortised cost.

5. OTHER OPERATING INCOME

	2021 £000	2020 £000
Dividend income	<u>100</u>	<u>750</u>

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2021

6. OPERATING EXPENSES

	Note	2021 £000	2020 £000
Auditor remuneration	8	12	10

The Company utilises employees and facilities of the Group in its operations, and hence has no employees of its own.

7. KEY MANAGEMENT REMUNERATION

The directors, who are the key management personnel of the Group and the Company, received no remuneration from the Company.

During the period Mr R J Woodman was a director of Paragon Banking Group PLC and his remuneration is set out in the Annual Report of that Company.

8. AUDITOR REMUNERATION

The analysis of fees payable to the Company's auditors and their associates, excluding irrecoverable VAT, required by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 is set out below.

	2021 £000	2020 £000
Audit fee of the company	12	10
Total fees	12	10
Irrecoverable VAT	-	-
Total cost to the Company	12	10

Fees paid to the auditors and their associates for non-audit services to the Company are not disclosed because the consolidated accounts of the Group are required to disclose such fees on a consolidated basis.

9. PROVISION FOR LOSSES

	Note	2021 £000	2020 £000
(Recovered impairment) / impairment of financial assets			
Investments	11	(157)	491
		(157)	491

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2021

10. TAX CREDIT ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of credit in the year

	2021 £000	2020 £000
Current tax		
UK Corporation tax on losses of the year	-	-
Group relief	(59)	(44)
Total current tax	(59)	(44)
Deferred tax		
Deferred tax	-	-
Tax credit on (loss) / profit on ordinary activities	(59)	(44)

The standard rate of corporation tax in the UK applicable to the Company in the period was 19.0% (2020: 19.0%), based on currently enacted legislation. During the previous period, legislation was substantively enacted, reversing the reduction in the tax rate to 17.0% which had been due to come into effect from April 2020. In the current period legislation was substantially enacted that will increase the rate to 25% with effect from 1 April 2023.

(b) Factors affecting tax credit for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
(Loss) / profit on ordinary activities before taxation	(55)	27
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(10)	5
Effects of:		
Tax exempt revenues	(49)	(142)
Non-deductible expenses	-	93
Tax credit for the year	(59)	(44)

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2021

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company's investments in subsidiary undertakings represent shares in Group companies and funding loans to operating companies.

	Shares £000	Loans £000	Total £000
At 1 October 2019	5,388	50,184	55,572
Investments in subsidiaries	(1)	-	(1)
Loans advanced	-	5,440	5,440
Loans repaid	-	(10,094)	(10,094)
Provision movements (note 9)	(76)	(415)	(491)
At 30 September 2020	5,311	45,115	50,426
Investments in subsidiaries			
Disposal of Subsidiary	(1)	-	(1)
Loans advanced	-	5,649	5,649
Loans repaid	-	(13,242)	(13,242)
Provision movements (note 9)	(143)	300	157
At 30 September 2021	5,167	37,822	42,989

The Company's operating subsidiaries, and the nature of the Group's interest in them, are shown in note 12.

12. SUBSIDIARY ENTITIES

Operating subsidiaries where the share capital is held within the Group comprise:

	Holding	Principal Activity
Direct subsidiaries of the Company		
Moorgate Loan Servicing Limited	100%	Asset administration
Paragon Personal Finance Limited	100%	Consumer loan finance
Idem Capital Securities Limited	100%	Asset investment

During the year the Company's subsidiaries, Idem (No. 3) Limited and Idem Luxembourg (No. 10) ‡, was dissolved.

The financial year end of all of the Company's subsidiary companies is 30 September. They are all registered in England and Wales and operate in the UK except:

- those entities marked ‡ which are registered in the Grand Duchy of Luxembourg.

The registered office of each of the entities listed in this note is the same as that of the Company (note 1).

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2021

13. OTHER RECEIVABLES

	2021 £000	2020 £000
Current assets		
Amounts owed by group companies	1,602	1,584

Amounts owed by Group companies and other debtors fall within the definition of financial assets given in IAS 32.

14. CALLED-UP SHARE CAPITAL

The share capital of the Company consists of a single class of £1 ordinary shares.

	2021 Number	2020 Number
Ordinary shares		
At 1 October 2020 and 30 September 2021	100	100

15. CURRENT TAX LIABILITIES

	2021 £000	2020 £000
UK Corporation Tax	-	-

16. OTHER LIABILITIES

	2021 £000	2020 £000
Current liabilities		
Other accruals	12	10
Group funding	38,443	46,293
Amounts owed to group companies	6,113	5,688
	44,568	51,991

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2021

16. OTHER LIABILITIES (CONTINUED)

Other accruals fall within the definition of 'other financial liabilities' set out in IAS 32 and IAS 39 and their fair values are not considered to be materially different to their carrying values.

The Company's funding from the Group was restructured on its foundation in September 2013 so that the principal funding loan to the subsidiaries of the Company is between Paragon Banking Group and the Company. Drawings on this loan are provided by the Company for asset purchases and investments on a case by case basis by its subsidiaries and the loan is repayable to the extent that applicable funds are generated by the subsidiaries assets. The loan bears interest on a monthly basis at a rate of 6.00% per annum.

17. RELATED PARTY TRANSACTIONS

During the year, the parent company entered into transactions with its subsidiaries and other members of the Group, which are related parties.

Details of the Company's investments in subsidiaries and the income derived from them are shown in notes 11 and 12.

Group entities provided funding to the Company, as described in note 16. Interest paid to the Group by the Company in respect of this funding is £2,507,000 (2020: £2,809,000) as disclosed in note 4 was paid by the Company.

Outstanding current account balances with subsidiaries and other Group companies are shown in notes 13 and 16.

NOTES TO THE ACCOUNTS – FINANCIAL RISK

YEAR ENDED 30 SEPTEMBER 2021

The note below describes the processes and measurements which the Company use to manage their exposure to financial risks including credit, liquidity, interest rate and foreign exchange risk.

18. FINANCIAL RISK MANAGEMENT

The Company's primary financial assets and liabilities are with other group companies; therefore, the directors do not consider that the Company is exposed to any significant cash flow, credit or liquidity risks.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION**YEAR ENDED 30 SEPTEMBER 2021**

The notes set out below describe the accounting basis on which the Company prepare their accounts, the particular accounting policies adopted by the Company and the principal judgements and estimates which were required in the preparation of the financial statements.

They also include other information describing how the accounts have been prepared required by legislation and accounting standards.

19. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') in conformity with the requirements of the Companies Act 2006. They have also been prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In the financial years reported on this means that, in the Company's circumstances, the financial statements also accord with IFRS as approved by the International Accounting Standards Board.

The "requirements of the Companies Act 2006" here means accounts being prepared in accordance with "international accounting standards" as defined in section 474(1) of that Act, as it applied immediately before IP Completion Day (the end of the UK's transition period) ('IPCD'), including where the Company also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019, subsequent to the IPCD.

Under the Listing Rules of the FCA, despite the UK's exit from the EU on 31 January 2020, the EU endorsed IFRS regime remains applicable to the Company until its first financial year commencing after the IPCD on 31 December 2020.

Therefore, while EU endorsed IFRS applies to these financial statements, those for the year ending 30 September 2022 will instead be prepared under 'UK-adopted international accounting standards'.

The changes in the way that the basis of preparation is described, as a result of the UK's exit from the EU, including the move to UK-adopted international accounting standards from the Company's financial year commencing 1 October 2021, do not represent a change in the basis of accounting which would necessitate a prior year restatement.

Adoption of new and revised reporting standards

In the preparation of these financial statements, the following accounting standards are being applied for the first time.

- 2020 amendments to IAS 39 – 'Interest Rate Benchmark Reform' and consequential amendments to IFRS 7

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2021

19. BASIS OF PREPARATION (CONTINUED)**Adoption of new and revised reporting standards (continued)***IAS 39 amendments 'Interest Rate Benchmark Reform'*

In August 2020 the IASB issued a further amendment to IAS 39 'Interest Rate Benchmark Reform – Phase 2'. This amendment sets out accounting requirements for the treatment of Interbank Offered Rate ('IBOR') - linked financial assets and liabilities under the amortised cost method when a firm replaces the IBOR linkage in the underlying instruments with a replacement benchmark. It is therefore potentially applicable to the Company's London Interbank Offered Rate ('LIBOR') - linked intercompany loans where interest is charged on the basis of LIBOR or other IBOR rates.

The intention of the standard is that, where the transition is effectively a like for like replacement, no windfall gain or loss should occur on transition.

This amendment is effective from the Company's financial year ending 30 September 2022 but has been endorsed by both the EU and the UK. The Company has utilised, and will continue to utilise, the provisions of the amendment as it transitions its IBOR-linked assets and liabilities. The impact of the amendment will depend upon the IBOR related assets, and liabilities at the point at which transition occurs.

Standards not yet adopted

There are no standards and interpretations in issue but not effective which address matters relevant to the Company's accounting and reporting.

20. ACCOUNTING POLICIES

The particular policies applied are described below.

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, except as required in the valuation of certain financial instruments which are carried at fair value.

(b) Going Concern

The financial statements of the Company for the year ended 30 September 2021 have been prepared on the going concern basis, as defined in IAS 1 – 'Presentation of Financial Statements'. In order to prepare financial statements on this basis the directors must conclude that the management does not intend to liquidate the Company or cease trading, and that the Company has the ability to continue to trade and will be able to satisfy its liabilities as they fall due. Particular focus is given to the Group's financial forecasts to ensure the adequacy of resources available for the Company to meet its business objectives on both a short term and strategic basis.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2021

20. ACCOUNTING POLICIES (CONTINUED)

(b) **Going Concern (continued)**

The Group has a formalised process of budgeting, reporting and review. The Group's planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company by company basis. In compiling the most recent forecast, for the period commencing 1 October 2021, particular attention was paid to the potential consequences of Covid on the Group's operations, customers, funding and prospects, both in the short and longer term. This included consideration of a number of different scenarios with impacts of varying duration and severity. In common with the Group's approach to IFRS 9, the economics used in the forecasting process were updated in October in light of the continuing development of the Covid crisis, based on updated external projections. Future business activity was reforecast reflecting the potential impacts of the pandemic on markets and products.

On the basis of this analysis, the directors have concluded that the Company is able to continue as a going concern for at least twelve months from the date of approval of these financial statements and that therefore it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

(c) **Consolidated accounts**

The Company is exempt under Section 400 of the Companies Act 2006 from the obligation to prepare group financial statements, being a wholly-owned subsidiary undertaking of Paragon Banking Group PLC.

(d) **Investments in subsidiaries**

The Company's investments in subsidiary undertakings are valued at cost less provision for impairment.

(e) **Amounts owed by or to group companies**

In the accounts of the Company balances owed by or to other Group companies are carried at the current amount outstanding less any provision. Where balances owing between Group companies fall within the definition of either financial assets or financial liabilities given in IAS 32 – 'Financial Instruments: Presentation' they are classified as 'Loans and Receivables' or 'Other financial liabilities', respectively.

(f) **Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of temporary differences. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Tax relating to items taken directly to equity is also taken directly to equity.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2021

20. ACCOUNTING POLICIES (CONTINUED)**(g) Deferred taxation**

Deferred taxation is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered. As required by IAS 12 – ‘Income Taxes’, deferred tax assets and liabilities are not discounted to take account of the expected timing of realisation.

(h) Revenue

The revenue of the Company comprises interest receivable and similar charges and other income. The accounting policy for the recognition of each element of revenue is described separately within these accounting policies.

(i) Dividends

In accordance with IAS 10 – ‘Events after the balance sheet date’, dividends payable on ordinary shares are recognised in equity once they are appropriately authorised and are no longer at the discretion of the Company. Dividends declared after the balance sheet date, but before the authorisation of the financial statements remain within shareholders’ funds.

21. ULTIMATE PARENT COMPANY

The smallest and largest group into which the Company is consolidated, and the Company’s immediate and ultimate parent company and ultimate controlling party is Paragon Banking Group PLC, a company registered in England and Wales.

Copies of the consolidated financial statements of The Paragon Banking Group PLC are available from that company’s registered office at 51 Homer Road, Solihull, West Midlands, B91 3QJ.